

THE TREASURY'S LIVING STANDARDS FRAMEWORK

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The Treasury has released new material on its Living Standards Framework, in particular a Treasury Paper and related discussion papers that describe the different components and dimensions of intergenerational wellbeing in the Living Standards Framework.

The Treasury continues to make the historical material in this document available to support researchers interested in the development of the Framework since 2012.

Please refer to the current Living Standards Framework material listed at <http://www.treasury.govt.nz/abouttreasury/higherlivingstandards>

Office of the Chief Economic Adviser
The Treasury

Living Standards: A Short Guide to 'Social Infrastructure'

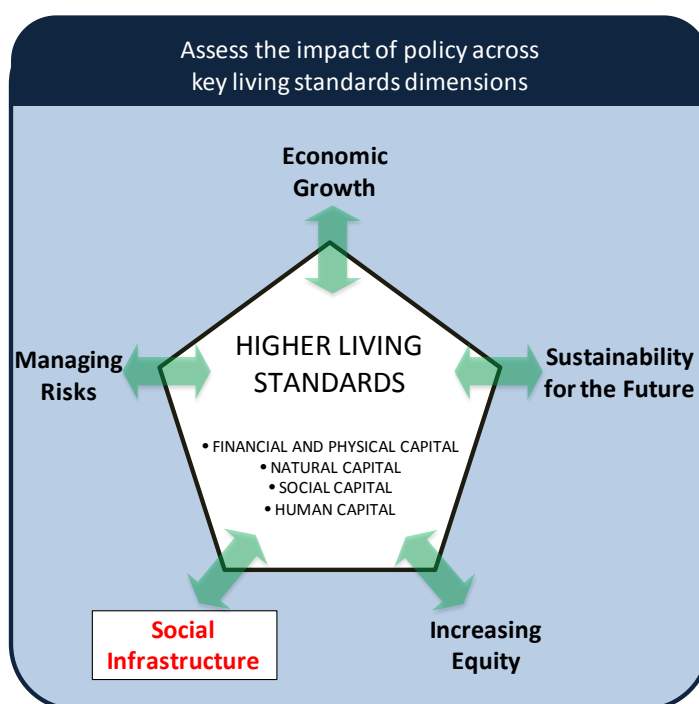
What is Social Infrastructure?

'Social infrastructure' describes the features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions.¹ It also encapsulates the concept of culture eg, the values, shared beliefs, customs, behaviours and identity that underpin the way society works and help shape and define who we are as New Zealanders. It is similar to the concepts of civil society and social capital around which there is a burgeoning international literature.

Social infrastructure exists at many levels, including:

- ▶ the international environment in which New Zealand operates
- ▶ the national environment in which policy is developed
- ▶ the local environment in which communities reside, and
- ▶ the personal environment in which an individual lives.

Trust is typically used as a proxy for the level of social infrastructure or social capital present in a community. By international standards, New Zealand is seen as having relatively high levels of social infrastructure, but this should not be taken for granted and there is still room for improvement in some areas. It may be that for some key outcomes the government wants to achieve, the lack of social infrastructure is the binding constraint to improvements.



¹ Putnam (1993). Other definitions include: OECD (2001) "the networks, together with shared norms, values, and understandings which facilitate co-operation" and the World Bank (2006) "the degree of trust in a society and the ability of people to work together for common purposes."

Links with other points in the Living Standards Framework

There are close links with the increasing equity point: a community's cooperative capacity is arguably a function of the degree of social and political inequality that the community has experienced. (Note that the increasing equity point, rather than this one, covers opportunities for individuals to access support.)

The links with economic growth are complex. Some aspects of social infrastructure can be considered assets which are important for economic growth, for example culture as tourism and a brand for international trade and investment. Social norms such as the 'Protestant work ethic' are often pointed to as key determinants of economic growth. These points suggest the possibility of positive synergy between social infrastructure and economic growth. There can also be tensions. Social infrastructure can also require access to resources, for example to fund recreation, creative and cultural activities and to preserve history and heritage, and not all social norms are positive.

The assessment of one study which considered the link between culture and economic growth in New Zealand is that we have made some significant changes to our understanding of these things in the last decade, but that these developments have occurred with little interaction between them.²

Why is social infrastructure important for living standards?

High levels of social infrastructure:

- ▶ provide benefits to individuals – people tend to be more 'hired, housed, healthy and happy' if they have access to social infrastructure. This has positive spillovers for society eg, lower health and welfare expenditures, and higher tax receipts
- ▶ increase social cohesion, which strengthens the economy because it makes social disorder (which is bad for the economy) less likely
- ▶ can reduce the burden on government, i.e. through strengthening families and communities and encouraging social cohesion. Social norms can be a strong influence on individual decision-making (although norms can be negative as well as positive)
- ▶ reduce transaction costs by promoting cooperative behaviour as well as facilitating and diffusing knowledge and innovation (eg, allows society to function more efficiently, including business and social transactions)
- ▶ can boost community resilience and regeneration in times of adversity, and
- ▶ enhance New Zealand's international reputation and attracts immigration, trade/business and tourism (eg, talented professionals are attracted to vibrant cities).

² Paul Dalziel, Gillis Maclean and Caroline Saunders, *Economic Policy and Cultural Well-Being: The New Zealand Experience*, 2008.

Low levels of social infrastructure:

- ▶ may limit social and economic opportunities, cause markets to work less efficiently and marginalise some groups
- ▶ can reinforce existing inequalities, and
- ▶ may lead to *less* growth in the level of living standards than there otherwise would be, all other things being equal.

Because of its impacts, social infrastructure (and variations on this theme) is increasingly being seen as important in a policy context. For example, the Commission on 2020 Public Services in the United Kingdom has set out the concept of ‘social productivity’, defined as: enabling non-state actors to do what the state cannot do, or cannot afford to do. In a wider sense, it is about recognising the limits of both state and economy in delivering public goods, and as such recognising the essential role of individuals, families and communities in defining social value and determining the interventions that will most effectively achieve public goods.

The key components of social infrastructure

The key components of social infrastructure are the ‘soft’ aspects of living in a community and the ‘institutional’ aspects of how civil society is perceived.



The ‘soft’ aspects of social infrastructure are primarily associated with relationships eg.:

- ▶ participation in groups and networks
- ▶ the degree of trust within networks, among strangers, and in civic institutions, and
- ▶ the level of social inclusion, including access to opportunities.

The ‘institutional’ aspects are focused primarily on the effectiveness of government institutions in creating an environment that supports society:

- ▶ a good enabling environment for civil society (eg, a well functioning and independent judicial system and transparent government) creates the space for social bonds to be created in the non-government sector. In turn, an effective civil society – such as an active media, and well-informed NGOs – can generate pressure for more effective and accountable government.

- ▶ an effective legal framework establishing property rights and supporting the functioning of markets facilitates voluntary economic exchanges, thereby contributing to the development of social norms such as fair dealing and trust.
- ▶ the actions of public institutions provide the context in which issues are presented and therefore influence people's perceptions of them, and
- ▶ constitutional conventions, such as the doctrine of ministerial responsibility, are social norms that guide the legitimate use of coercive power by government. They represent an important check on the potential abuse of power by the executive.

The generally accepted dimensions of social infrastructure might also be helpful to note:

- ▶ *bonding* which is localised (between people who live in the same or adjacent communities) and is important for social support
- ▶ *bridging* which extends to individuals and organizations that are more removed and is important for providing access to new ideas and resources, and
- ▶ *linking* which occurs vertically across boundaries of power which are particularly important for strategic outcomes.

Key ideas:

Social infrastructure refers to both relationships between people **and** the effectiveness of institutional structures.

Key dimensions can be seen as the

- ▶ **bonding** between people and communities
- ▶ **bridging** gaps that could exist between groups
- ▶ **linking** across the boundaries of power.

Key questions when thinking about social infrastructure

Effective policy interventions are those that build capabilities and opportunities. It is therefore important to consider the impact policy decisions are likely to have on stocks of social infrastructure. Some programmes/regulations risk inadvertently eroding social infrastructure. On the other hand, harnessing existing social infrastructure could help to deliver programmes more effectively.

Policymakers might want to ask:

- ▶ Within the groups that will be affected by a particular proposed policy change, what are the important dimensions of social infrastructure and how are they likely to be affected? There is not a lot of research which is specific to the New Zealand context but particular issues may include loss of local communities, dislocation from work and underachievement in education.
- ▶ Is there adequate foundation investment for fostering social infrastructure? For example investment in those things which facilitate social infrastructure indirectly by influencing the social setting within which it develops.
- ▶ How could the transparency, accountability and integrity of public institutions be improved? Building trust in public governance and service delivery, and encouraging participation can generate additional social infrastructure.

- ▶ Will proposed policies inadvertently damage social infrastructure? For example, public liability laws and regulations affecting community groups can make it harder for such groups to form and prosper.
- ▶ Could policies implicitly aimed at building or supporting social infrastructure – eg, investments in education, family support, community services, sport, the arts, and communications – be improved? What actions may have the capacity to yield high additional returns? In particular, the intrinsically relational aspects of service delivery should be examined for potential improvements.
- ▶ Can government recalibrate its policies to better use existing social infrastructure? Thinking in this way can broaden the policy options open to governments. For example, using volunteers or community groups to provide services can be a desirable and practical option and may lead to better outcomes.
- ▶ How can public services become better social catalysts – supporting and nurturing communities, and delivering public services in partnership with the people that need them?
- ▶ Is the allocation of roles and responsibilities between central and local government and non-government providers the most effective and efficient for supporting social infrastructure?